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The Future

By Cosby Woodruff, *Montgomery Advertiser*

Alabama has a bright future, but only if it prepares for it, said the head of the state retirement system at a conference exploring what the state may look like in 10 years.

David Bronner, CEO of the Retirement Systems of Alabama, speaking at a seminar hosted by *Business Alabama* magazine and the Business Council of Alabama, said that the state has enormous potential during the next decade in tourism, manufacturing, steel and aerospace, but only if it can meet enormous challenges.

It will have to overcome worldwide shortages in energy, food and water as well as invest the resources to repair a crumbling infrastructure.

Other speakers at the seminar “Alabama 2018, What does the future hold,” said education, public health, transportation and tax structure during the next decade present both opportunities and challenges.

Bronner, normally very business-like in his delivery, donned a huge red hat, blue “Bronner for President” T-shirt and took a page from an old Johnny Carson “Carnac the Magnificent” script to make his 10-year predictions.

Some were obvious: Alabama’s continued growth in tourism, auto manufac-

turing, medicine, steel and aerospace. He also predicted India would replace China as a top international competitor. Most troubling among the obvious predictions was that the high school dropout rate will remain high.

Bronner’s less-than-obvious list included worldwide shortages, problems that will also be chances for profit.

“This is a rare opportunity for those who plan,” he said.

Energy, food and water will be in short supply in different spots around the globe, he said.

“Infrastructure will be the biggest thing,” he said.

Developing countries will have an appetite for facilities at about the same time as U.S. facilities—sewers, roads, power grids and public buildings—start crumbling. Alabama, he said, can weather the storm if it prepares.

“Alabama will prosper if it can offer research, education along with tourism and manufacturing,” he said.

Before launching into his stand-up routine, Bronner said he needed to go over where Alabama is now and where it

was 15 years ago.

Alabama, he said, has passed many other states in economic opportunities during the past 15 years.

“You are not going to pass other states unless you take risks,” he said.

He pointed to a 400 percent growth in Alabama tourism revenues as one example of why the state has passed others.

The biggest difference, he said, was in automotive businesses.

“We went from zero to a preeminent place in the world,” he said. “If you are not proud of Alabama, you are in the wrong meeting.”

Alabama must continue to take risks if it is going to overcome other states in the next 10 years, he said. One of those risks, according to Bronner, is changing the tax code.

“Alabama loves low taxes, and low taxes are good,” he said. “Having the lowest taxes in the nation is just dumb. You can’t starve the institutions if you are going to compete with the world, you have to fund it. Ideas without money remain ideas.” ■



Legislative Special Session

By Lindy Beale, Legislative Counsel



The 2008 First Special Session concluded in five days, the minimum number of days required to pass legislation. The Education Trust Fund Budget and

related appropriation bills, as well as the ERS retiree bonus bill, were all passed. Both the TRS and PEEHIP were funded at the agreed upon rates.

ERS members who retire from the state prior to October 1, 2008, will

receive a one-time, lump-sum bonus. It will be \$1 per month of service and will be paid in December in a separate check. If your retirement benefit is direct

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The Next President and the Pension Crisis

By Roger Lowenstein, *New York Times*

Virtually unnoticed during the primary season, the baby boom generation turned 62, and depending on which of the candidates you ask, it spells a budgetary strait-jacket or possibly a looming social crisis....With more people retiring and a smaller share of people working, the strains on Social Security and especially Medicare will become evident. Over the very long term, the two programs combined are projected to consume virtually the entire federal budget. A portion of Medicare (the part that pays hospital bills) faces insolvency much sooner than that in 2019....It is true that not one of the two White House contenders has offered a comprehensive solution, except for Barack Obama's proposal that the wealthy pay more in payroll taxes.

...Not surprisingly, John McCain's platform is well to the right of the Democrats'. He favors bringing entitlement spending down rather than bring-

ing revenues up. And he has made it clear that he is open to cutting Social Security benefits. His boldest stroke is on health care, where he would offer a universal tax credit but in return make employer plans taxable to the recipient. In other words, if your company has a health plan, you would have to pay taxes on the value it provides. This would pierce the illusion that health care is 'free' and, it is said, discourage spending. This is Adam Smith 101: if health care recipients pay more of the cost, they will order fewer M.R.I.'s and replace fewer knees.

McCain also argues that market reforms could slow the growth in the government's Medicare costs. Obama... supports such steps (like more competitive bidding for drugs), but his emphasis has been on making the retirement and health care system inclusive, as distinct from paring its cost.

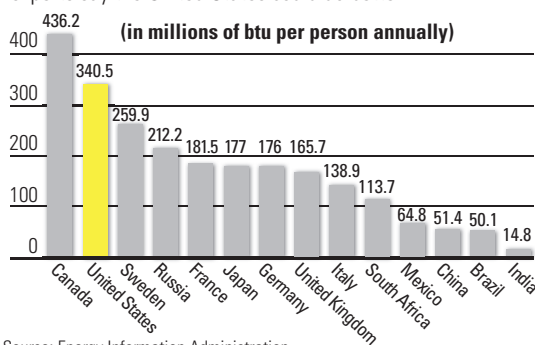
...As an aging society, the U.S. should be saving more; instead, in recent years,

we have had negative savings (people are spending more than they earn). Also, the network of private pensions that developed after World War II has been eroding as corporations terminate plans and as new companies decline to provide them. Even worse, the typical household's savings fall woefully short of what they will need for retirement.

Obama wants to require employers to automatically enroll workers in 401(k) plans at a savings rate of 3 percent. Employees would be free to opt out (or to choose a higher savings rate). Obama would also provide a federal match.... His central idea, if people have to opt out of plans rather than in, will end up saving more. Obama is sympathetic because it jibes with his experience as a community organizer, when he found that people did not apply for grants or programs for which they were eligible...." ■

Who Uses the Most?

The United States ranks near the top among major economies in the amount of energy consumed per person each year. Climate, development, and economic mix all play a role, but experts say the United States could do better.



Source: Energy Information Administration

ANNUAL REPORT AVAILABLE

Telephone – (334) 242-5718 or
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UAB's Early Medical School Acceptance Program

Letter from Gregory Pence, EMSAP Director

That was a very nice piece you had in the May newsletter on the Alabama School of Mathematics and Science. You may not know that Alabama also has one of the nation's elite BS/MD programs, where UAB admits students right out of high school to the UAB medical school (subject to their doing well as normal premeds).

As the fame of Early Medical School Acceptance Program (EMSAP) has grown, we now receive applications from all over the country. For the last two years, we took four students from nearby states. Next year, we will take them from all over the country. Because all students in EMSAP qualify for scholarships at UAB, even out-of-state students, EMSAP may be the best buy and most unknown great college program in America.

And we produce results! Last year, one of our stars, Valarie Gribben, made *USA Today's* All-American Academic Team. UAB also has Rhodes, Marshall, Goldwater, and Soros Scholarship winners. Although EMSAP is well-known to elite high schools in Alabama, it is not to small, rural high schools. The early application for scholarships is November 1. You can learn more about EMSAP at www.main.uab.edu.

Tourism Carries Its Weight

Editorial: *Mobile Press Register*

Economic Development in Alabama appropriately calls up images of state-of-the-art automobile plants and steel mills, bustling airplane assembly works and crane-draped shipbuilding facilities. A new study, however, points out that the state's tourist attractions fuel a powerful and growing economic engine of their own.

Standing quietly in contrast to the drama of heavy industry is a more than \$9 billion activity that accommodates, feeds and entertains upwards of 22 million visitors to the state each year.

According to an economic impact report released last week by Gov. Bob Riley, tourism provides about 170,000 jobs (up 4 percent last year) and generates millions in tax revenues for state and local governments. Indeed, tourism accounts for more than 8.5 percent of all non-agricultural jobs in the state.

Moreover, the Alabama Department of Tourism and Travel says tourism grew by 10 percent during 2007.

Baldwin County continues to be the leading tourist draw in the state with its pristine beaches, condominiums and fishing opportunities. The county saw nearly \$2.3 billion in travel-related spending last year.

Baldwin's take was almost twice the revenue generated by second-place Jefferson County and much more than Mobile County, the state's fourth-largest tourist destination.

Mobile County brought in \$890 million in tourism dollars—close to the third-place county, Madison, which saw \$900 million.

Those millions help fill government coffers. The state gets revenues from a 4 percent lodging tax, bringing in enough to fund the Alabama Tourism Department

plus contribute about \$34 million to the state's General Fund.

Cities and counties levy their own taxes, too. The city of Mobile took in about \$3 million last year from folks who stayed in hotels and motels and rented vehicles.

To focus national attention on the state, the tourism department has successfully adopted a marketing strategy that zeroes in on a single theme. The department highlighted Alabama's cuisine a couple of years ago. Last year, the focus was on the arts. And 2008 is the year of sports.

From beaches to mountains and the Civil War to civil rights, Alabama offers a lot to travelers. Traditional manufacturing may power Alabama's economy, but the \$9 billion tourism industry cannot be ignored. ■



Railroads

A freight train can, on average, move one ton of freight 436 miles on only one gallon of fuel, according to the Association of American Railroads. U.S. freight rail rates are the lowest unsubsidized rates in the world, with American shippers paying half of what they paid for rail service 25 years ago, on average.

Moreover, every ton-mile of freight moved by rail instead of by truck reduces greenhouse gas emissions by two-thirds or more. One single typical freight train removes 280 trucks off the nation's highways.

Legislative Special Session

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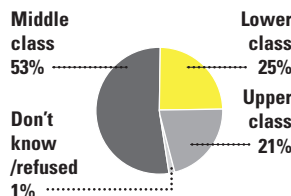
deposited, your bonus check will be direct deposited as well. Otherwise, you will receive a paper check in the mail. All ERS local unit retirees will **only** receive the bonus check if the local unit approves a resolution that funds the bonus.

Legislators also approved a constitutional amendment to create a rainy day fund for the General Fund Budget and increase the size of the rainy day fund for the Education Trust Fund Budget. These funds would use money resulting from the oil and gas severance royalties. Voters will have to approve the amendment in the November general election.

MOST SAY IT'S DIFFICULT IN THE MIDDLE

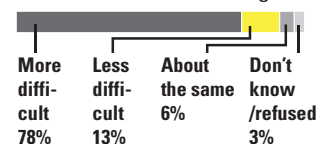
Most members of the middle class say they are worse off than they were five years ago. Fifty-three percent of Americans define themselves as middle class.

Americans who identify themselves as...

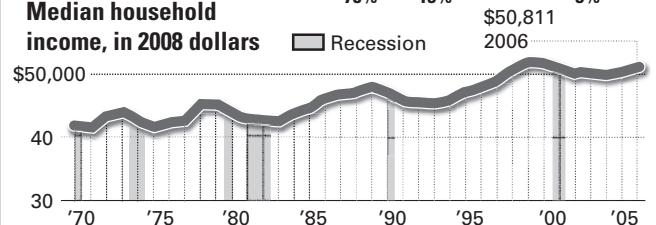


Among the middle class...

Compared with five years ago, is it more or less difficult for middle-class people to maintain their standard of living?



Median household income, in 2008 dollars



Sources: Census Bureau; Pew Research Center

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A Renaissance Hotel – Mobile – \$89**

- August 1–3, 15–17, 22–24, 29–31
- Sept. 1–7, 19–21, 26–28

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Mobile – \$79**

- August 22–24, 29–31
- Sept. 1–6, 19–21, 26, 28

Marriott Grand – \$89 plus a 14% resort fee

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- Sept. 1–4, 7–11, 14–18, 25, 28–30

Marriott Grand – RSA Golf Package – \$169

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Includes: Deluxe Room, One Round of Golf for Two People.

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- Sept. 1–4, 7–11, 14–18, 25, 28–30

Marriott Shoals – Florence – \$79

- July 6–8, 13–14, 20–21, 27–29
- August 3, 10–12, 17, 24–25, 27–28
- Sept. 7–8, 14, 21, 23

Renaissance Ross Bridge – Hoover – \$89

- July 1–2, 6, 10, 13–16
- August 3–6, 13, 17–21 • Sept. 1–5

Opelika Marriott – \$79

- July 1–10, 13, 20–23, 27–31
- August 3–7, 10–21, 24–28, 31
- Sept. 1–2, 7, 14–17, 21–22, 25, 28, 30

Prattville Marriott – \$79

- July 1–16, 20–23, 25–31
- August 3–7, 10–17, 19–23, 28, 30–31
- Sept. 1–4, 6, 9–10, 15, 29–30

Renaissance Montgomery – \$89

- July 1–5, 11–13, 17, 30–31
- August 1–2, 9–10, 17–18, 22, 28–31
- Sept. 1–4, 6, 10, 13–16, 28

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room

- July 1–5, 13 • August 10, 17–18, 28–31
- Sept. 1–3, 14–16, 28

Book early because the rooms are limited at these special rates.

These rates are not applicable to groups or conventions.

Code: RABM, 800-228-9290

Did you know?

Source: ASEA

In the past 24 years there has been a net growth of inmates in the Department of Corrections of 20,384. That brings Alabama's prisons to 190.5% of designed capacity. In 1992 there were 2,192 Correctional Officers guarding 17,221 inmates. In July of 2004 there were 2,690 Correctional Officers guarding 26,276 inmates. That gives Alabama the distinction of having the worst inmate to Correctional Officer ratio (1 to 10) in America.

Alabama spends \$27.50 per day to house an inmate or \$10,000.00 per year. The southeast average is \$40.00 per day per inmate, while the national average is \$55.00 to \$60.00 per day per inmate.

Florida spends \$23,254.00 per inmate per year and has a ratio of 5 inmates per Correctional Officer. Georgia spends \$19,966.00 per inmate per year and has a ratio of 5.5 inmates per Correctional Officer. Mississippi spends \$12,576.00 per inmate per year and has a ratio of 7.9 inmates per Correctional Officer. Tennessee spends \$28,609.00 per inmate per year and has a ratio of 5.7 inmates per Correctional Officer.



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